

## Message Text

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ACTION EB-08

INFO OCT-01 EA-12 ISO-00 CAB-05 CIAE-00 COME-00  
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 FTC-01  
SS-15 NSC-05 /060 W  
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FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 8636

UNCLAS TAIPEI 05475

E.O. 11652: N/A

TAGS: EAIR, XX, TW

SUBJ: ROC COMMENTS ON IATA RATE-SETTING MECHANISM

REF: A) STATE 128935; B) STATE 131012

1. EMBASSY HAS RECEIVED A LETTER FROM GENERAL MAO,  
DIRECTOR GENERAL OF THE ROC'S CIVIL AERONAUTICS ADMINISTRA-  
TION, REGARDING THE ANTITRUST EXEMPTION FOR IATA RATE  
SETTING. TO ENSURE RECEIPT OF COMMENTS PRIOR TO END OF  
COMMENT PERIOD, TEXT IS HERewith TRANSMITTED: BEGIN TEXT:  
I AM WRITING IN RESPONSE TO YOUR LETTER DATED JUNE 2, 1978  
ON THE MATTER OF ANTITRUST EXEMPTION FOR IATA RATE-SETTING.

IF WE UNDERSTAND IT CORRECTLY, THE U.S. CAB STARTED IN  
1946 TO PERMIT SETTING OF INTERNATIONAL AIR TRANSPORT FARES  
BY AGREEMENTS OF IATA MEMBER AIRLINES WITHOUT BEING SUB-  
JECT TO THE CONTROL OF THE U.S. ANTITRUST LAW. TO SUBMIT  
TO THE RESTRICTIONS IMPOSED BY THE ANTITRUST LAW AND THERE  
CAN BE NO DISCUSSIONS OF PRICE-MAKING AMONG THE AIRLINES  
UNLESS FORMULATED BY IATA.

THE EXISTENCE OF IATA HAS PRESENTED A BASIC STRUCTURE OF  
FARES FOR THE AIRLINES, WHETHER OR NOT MEMBERS OF IATA, TO  
FOLLOW; WITHOUT WHICH THEY WILL BE AT A LOSS AS TO THE  
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STANDARD OF PRICES. IATA HAS ALSO ENABLED THE PRACTICE  
OF CHAIN OPERATION OF AIR TRANSPORT THROUGHOUT THE WORLD,  
THUS NECESSITATING INTERLINE TICKETING AND BAGGAGE ARRANGE-  
MENTS. IF IATA RATES CANNOT REMAIN A BASIC CRITERION,  
INTERLINE OPERATIONS AND ACCOUNTING FOR THE INDIVIDUAL AIR-  
LINES INVOLVED WILL BE THROWN INTO CHAOS.

SUPPOSE THE U.S. CAB BANNED THE IATA TRAFFIC CONFERENCE MECHANISM AND IATA MEMBER AIRLINES COULD NO LONGER HAVE RATES ESTABLISHED THROUGH THE MEDIUM OF IATA. THEN ALL AIRLINES, IATA MEMBERS OR NOT, WOULD HAVE NO RECOURSE BUT TO LOWER THEIR FARES IN FIERCE COMPETITION FOR THEIR OWN SURVIVAL. IN THAT CASE, THE NET RESULT COULD BE THE HEATING UP OF A RATES WAR LEADING INELUCTABLY TO REDUCED REVENUES FOR THE COMPETING AIRLINES AND TO AGGRAVATION OF THEIR FINANCIAL STATUS.

THE PURPOSE OF IATA IS TO PROVIDE AN ECONOMIC, SAFE AND EXPEDITIOUS FLOW OF AIR TRAFFIC FOR THE CONSUMING PUBLIC OF THE WORLD. IN SETTING THE RATES OF AIR TRANSPORT, IATA CONFERENCES CANNOT RAISE THE PRICE AT WILL SIMPLY FOR THE INTEREST OF THE AIRLINES; THEY MUST ALSO TAKE INTO ACCOUNT WHETHER THE FARES TO BE WORKED OUT ARE ACCEPTABLE TO THE VAST INTERNATIONAL MARKET. IN SHORT, THE INTEREST OF THE CONSUMER MUST RECEIVE ADEQUATE CONSIDERATIONS. MEANWHILE, THE RATES AGREED TO AT IATA MEETINGS ARE SUBJECT TO THE APPROVAL OF ALL GOVERNMENTS CONCERNED. GOVERNMENTS OF VARIOUS COUNTRIES HAVE THE FINAL SAY TO DETERMINE WHETHER ANY IATA-PROPOSED RATES CAN BE ADOPTED.

TO SUM UP, WE FAVOR IN THE LONG RUN CONTINUATION OF THE PRICE-SETTING MECHANISM OF IATA IMMUNE FROM THE ANTITRUST UNCLASSIFIED

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LAW. END TEXT. UNGER

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## Message Attributes

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**Channel Indicators:** n/a  
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